Agriculture outlook

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Agriculture has always been the bright spark in our GDP profile this year as it was less affected by the pandemic induced lockdown on the production side. There were however issues in marketing and pricing due to the closedown of transport and restriction in movement of people. GDP output from agriculture, forestry and fishing is to grow by 3.4% this year on top of 4% growth in FY20. This is also one of the reasons that there have been some signs of growth in the consumer goods segment as the post-harvest income due to a good kharif harvest has resulted in higher spending power.

The table below gives the highlights of the second advance estimates for agricultural production that was released by the Ministry.

Production estimates for FY21 for major crops (mn tonnes and % change)

	2019-20	2020-21	Growth (%)
Rice	118.87	120.32	1.2
Wheat	107.86	109.24	1.3
Maize	28.77	30.16	4.8
Coarse Cereals	47.75	49.36	3.4
Tur	3.89	3.88	-0.3
Gram	11.08	11.62	4.9
Moong	2.51	2.62	4.4
Lentil	1.1	1.35	22.7
Pulses	23.03	24.42	6.0
Foodgrains	297.5	303.34	2.0
Groundnut	9.95	10.15	2.0
Soyabean	11.23	13.71	22.1
R & M	9.12	10.43	14.4
Oilseeds	33.22	37.31	12.3
Sugarcane	370.5	397.66	7.3
Cotton *	36.07	36.54	1.3
***mn bales**			

As can be seen from the table:

1. Foodgrains production will be crossing 300 mn tonnes with growth of 2% being witnessed for the year.
    a. This will be manifested in higher growth in both the major crops, rice and wheat.
    b. Coarse cereals as a group will witness higher growth of 3.4% this year
2. Pulses production is to increase by 6% being led by gram production.
    a. The marginal fall in tur is significant as this has high inflationary potential. It will be necessary to import the commodity at the right time to ensure that this is avoided.
3. Oilseeds production is good news for the edible oils industry with growth of 12.3%.
    a. Both soybean and mustard, which are the major crops will witness double digit growth.
    b. This should help to moderate prices of edible oils which have been rising in the last couple of months thus pushing up inflation.
4. Higher production of sugarcane augurs well for sugar production while the increase in cotton production will keep conditions stable for the textiles industry.

With the exception of sugarcane and pulses, output in all other major crops will the highest ever to be achieved. The good farm production numbers are indicative of stable price conditions to prevail, though, as mentioned earlier price shocks may be expected in some of the pulses. A good rabi crop this year should help to push up consumer demand in the April-May period when typically this money gets spent.

The monsoon forecast will be the next indicator to watch out for before its arrival as that will help to form some judgments on the possible kharif prospects this year which is important as other sectors are to revive in FY22 and would require continued support from the farm sector.

Contact:

Economics Department **Mradul Mishra**	(Media Contact)	mradul.mishra@careratings.com	+91-22-6837 4433 +91-22-6754 3573

CARE Ratings Limited
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel. : +91-22-6754 3456 I CIN: L67190MH1993PLC071691

Connect :